

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8029

BILL NUMBER: SB 434

DATE PREPARED: Mar 9, 2001

BILL AMENDED: Mar 1, 2001

SUBJECT: Case-Mix Reimbursement for Nursing Homes.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Office of the Secretary of Family and Social Services (FSSA) to make various amendments to the administrative rule regarding the Medicaid case-mix reimbursement system for nursing homes. The bill requires the Office of Medicaid Policy and Planning (OMPP) to apply to the federal Health Care Financing Administration (HCFA) for a Medicaid state plan amendment to implement certain rule changes. The bill also prohibits FSSA from repealing or amending certain administrative rules without statutory authority.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) This bill makes several changes to the Medicaid case-mix reimbursement system used for reimbursing nursing home providers in the Medicaid program. A preliminary estimate of the total cost to the *state* Medicaid program is estimated to be \$35.30 M initially, and \$18.35 M annually. (The additional cost in the first year is a cost associated with the initial timing of payments, rather than an additional cost on the system. These expenditures would have otherwise been made to nursing homes at some time in the future.) In addition, it is important to note that the effects of interactions between the various components of the bill have not been modeled at this time. Consequently, the total cost estimate is preliminary and may overestimate the total cost if all provisions were implemented.

Total additional expenditures are estimated to be about \$92.9 M initially, with federal reimbursement of \$57.60 M. Total on-going expenditures are estimated to be \$48.3 M, of which \$29.95 M represents federal dollars. The estimated cost of each individual proposal is provided in the following table, along with federal and state shares of the expenditures.

Provision	Total Costs	Federal Share	State Share
Removal of therapies from direct care component; reimburse therapies as a separate component; utilize 34 grouper version 5.12 of the RUG-III classification system.	(\$16.0 M)	(\$9.92 M)	(\$6.08 M)
Increase indirect care overall rate limitation by 10% (to 110%).	11.4 M	7.07 M	4.33 M
Increase administrative overall rate limitation by 5% (to 105%).	2.8 M	1.74 M	1.06 M
Remove repairs and maintenance from capital and reimburse through the indirect care component.	3.6 M	2.23 M	1.37 M
Increase capital overall rate limitation by 10% (to 90%).	13.4 M	8.31 M	5.09 M
Decrease minimum occupancy standard by 10%.	3.0 M	1.86 M	1.14 M
Remove property taxes from capital component and reimburse separately without limitation.	1.8 M	1.12 M	0.68 M
Remove professional liability insurance from the administrative component and reimburse separately.	26.7 M	16.55 M	10.15 M
Hold harmless for ventilator providers.	1.6 M	0.99 M	0.61 M
Total On-Going Costs	\$48.3 M	\$29.95 M	\$18.35 M
No phase-in for rate-setting. **	44.6 M	27.65 M	16.95 M
*** Total First Year	\$92.9 M	\$57.60 M	\$35.30 M
<p>** This item represents a preliminary estimate of the initial cost associated with changing reimbursement rates initially and would occur only in the initial year. This amount would have been paid to nursing facilities over the following 18 to 24 months, anyway. Consequently, it represents a <u>timing</u> difference, rather than an additional cost on the system.</p> <p>*** The effect of interactions between the various components of the bill have not been modeled at this time. Consequently, <u>the total cost of all provisions is a preliminary estimate</u> and may overstate the actual cost if all provisions were implemented.</p> <p>Source: Myers and Stauffer LC, 1/9/01.</p>			

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal reimbursement through the Medicaid program. Total expenditures are shared with the federal government reimbursing about 62% of expenditures. The state share represents about 38%.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning (OMPP).

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.